Blue Ribbon Commission on Transportation

D R A F T

Revenue Committee

Interim Report

May 5, 2000

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Blue Ribbon Commission on Transportation

REVENUE COMMITTEE INTERIM REPORT
DRAFT (5/8/2000)

INTRODUCTION

The Blue Ribbon Commission on Transportation's Revenue Committee met monthly during the period October 1998 to April 2000. During that period, committee members had the opportunity to:

- Receive in-depth briefings about the transportation revenue system in Washington,
- Identify issues and develop findings about the current system,
- Develop principles and goals about a potential improved revenue system of the future, and
- Develop and evaluate a set of preliminary revenue options.

This committee report outlines the revenue options the committee feels deserve consideration by the full Blue Ribbon Commission. It also describes the key findings, principles and goals identified by the committee and lays out their relationship to the revenue options.

Transportation Revenues in Washington

In population and economic activity, factors which strongly influence transportation use, Washington is experiencing a period of accelerated growth, and can expect more growth in the coming decades. Population is growing and it is increasingly urban. Washington's population is projected to increase over 36% from 1997 to 2020. Over half of the growth is projected to be in the three counties of central Puget Sound.[1] Additionally, by 2020, projections show one million more participants in Washington's labor force than there are today. Growth in the labor force will average 1.3% annually. A larger workforce indicates that more people will be making the journey to work, and adding to traffic.[2]

As these growth pressures have been placing increasing demands on the transportation system at the state, regional and local levels, the revenue structure has increasingly lagged in its ability to keep pace with the growth and investment needs. The Revenue Committee found that both the structure itself and the level of revenues it generates have become inadequate.

The funding structure organizes funds into numerous categories that tend be fairly limited in the kinds of transportation uses to which each can be applied. The categories are restricted by federal law, the state Constitution and state law. Jurisdictional responsibility also restricts how

[1] Puget Sound Regional Council, August 1999.

[2] WSDOT, Trends Analysis, March 1998.

funds are spent. The existing funding framework is based on historical conditions that were once appropriate, but may not reflect the needs of the system in the future.

Some of the characteristics of the current funding structure include:

- A large number of funding categories or "buckets" at each level of government;
- A high degree of fund dedication and numerous restrictions on uses;
- Funds distributed by and often restricted to jurisdiction, mode and program; and
- Different economic characteristics of the various fund sources available to jurisdictions, modes and programs.

The state, counties, cities and public transit districts each have a different mix of transportation revenue sources available to them.

State Sources. Until November 1999, the State of Washington had four major sources of transportation revenue: the gas tax; the motor vehicle excise tax (MVET); licenses, permits, and fees; and transportation bonds. In the November 1999 election, Initiative 695 abolished the MVET and replaced it with a $30 license fee, leaving a $750 million annual gap in state funding.

- **Gas Tax.** The state gas tax in Washington is levied at 23 cents per gallon[3]. Each cent generates $33 million in revenues, or a total of about $760 million per year. The 18th amendment to the State Constitution provides that gas tax revenue can only be used for highways, ferries and local streets and roads. The gas tax is projected to grow at about 2.3% per year in the next few years, while the state's economy is growing at faster than 7% annually. At the current rate, the gas tax fails to keep pace with inflation and the cost of needed transportation investments. Gas tax revenues also depend on fuel consumption, which has declined from 12 miles per gallon in 1968 to 18 mpg in 1998.

- **Licenses, permits and fees.** This category represents over 40 revenue sources that together generate about $250 million per year. The three largest fees in this category are: the combined licensing fee, for trucks with gross weight of 4,000 pounds or more; the motor vehicle registration fee (license fee), paid by passenger car owners, motorcycles, motor homes, and others; and ferry fares.

- **Bonding.** The state of Washington has not been a large user of bonding in transportation. The passage of R-49 in November 1998 dramatically increased the state's use of transportation bonding, however the revenue source backing the bonds was eliminated by I-695. Bond authorizations are passed by the Legislature and require a 60% vote.

County Sources. County governments in Washington are responsible for some 40,000 miles of county roads. In addition to gas tax revenues that are distributed to counties, their primary transportation funding source is a dedicated property tax or road levy of $2.25 per $1,000 of property value. In 1999 the road levy was projected to generate about $280 million. The

[3] Gas tax revenue do not all flow to WSDOT, but are distributed to the state, counties and cities as well as to specific programs.

property tax has been a strong revenue generator in counties that have experienced economic growth, however, it is not a popular tax and many citizens have been opposed to further increases. Counties also have a local option vehicle license fee of $15 per vehicle per year. This local option is in use in four counties.

City Sources. Cities have no dedicated transportation funding source and fund their city street investments out of their general funds. City general sources include the property tax, sales tax, business & occupation tax and utility tax, all of which track economic growth and have grown significantly in recent years. Cities use up to 40% of their general funds for transportation purposes.

Public Transit Sources. Prior to the passage of I-695, transit relied on two major funding sources: the sales tax and the MVET. Voter approved sales tax rates range from 0.1% to the maximum of 0.6% (used by King County Metro and by Snohomish County's Community Transit). Other funding sources for public transit include farebox revenues, federal grants and bond proceeds. Transit districts in Washington lost some $200 million in annual revenues as a result of I-695. The remaining sales tax generates a total of $425 million for transit each year.

In addition to the revenue sources outlined above, Washington receives $500 million annually in federal funds. The funds flow to all levels of government and all modes based on a combination of federal law and agreements reached by the legislature and transportation entities in the state.

The Committee Process

The Revenue Committee spent the better part of a year learning about this funding structure and its many details and complexities. It received briefings from experts in and outside of the transportation industry. The list of speakers who appeared before the committee included:

- Don Taylor, Washington Department of Revenue
- Gary Lowe, Washington State Association of Counties
- Chris Mudgett, County Road Administration Board
- Stan Finkelstein, Association of Washington Cities
- Diane Carlson, Association of Washington Cities
- Jerry Fay, Transportation Improvement Board
- Denny Ingham, WSDOT Transaid Office
- Dan Snow, Washington State Transit Association
- Joyce Olson, Community Transit
- Jay Reich, Preston, Gates & Ellis
- Helga Morgenstern, WSDOT Finance and Administration
- Eric Meale, WSDOT Economics Division
- Aubrey Davis, Washington Transportation Commission
- Jerry Ellis, WSDOT Economic Initiatives
- Greg Hanon, Western States Petroleum Association
- Mark Hallenbeck, University of Washington TRAC
- Rob Fellows, WSDOT Office of Urban Mobility
- Mike Hoover, Senate Republic Caucus

- Chris Endresen, Puget Sound Regional Council
- John Palmer, Environmental Protection Agency
- Doug Howell, Center for Energy and the Environment
- Rob McKenna, Metropolitan King County Council

During each meeting, time was provided on the agenda for members of the public to address the committee. At numerous meetings, citizens and stakeholders came forward to speak to the committee.

Committee members evaluated the information received and formulated findings that were presented to their fellow Commission members in September 1998. The findings were organized into six sections: the transportation funding structure; the distribution of state gas tax to the state, cities and counties; local transportation funding; non-traditional funding mechanisms; market mechanisms and user fees; and public opinion on transportation funding.

In summary, the findings highlighted two broad themes. The first was a set of observations about the structure of the funding system, including findings that restrictions built into the various fund sources make the system inflexible and unresponsive to changing conditions. The second was a finding that the current funding system generates insufficient revenues to keep pace with the growing system, and in some cases, even fund the basic maintenance and preservation of what already exists.

After conclusion of the findings phase, committee members turned their attention to the development of potential solutions. The committee began by brainstorming a comprehensive list of all of the potential ideas that had been brought forward. At several meetings, members discussed and debated overarching principles that should guide a comprehensive set of options as well as goals and criteria that could be used to evaluate options. Additionally, members discussed various sorted and prioritized versions of the complete options list, determining which options had a high likelihood of being included in a final list, which ones required further study and refinement and which ones had a low likelihood of being able to achieve the group's agreement.

Committee members did not spend time deliberating on funding levels, either in general terms or with respect to specific sources. They felt that structural improvements to the system and more efficient use of existing resources had to be demonstrated first, before new revenue levels could even be considered. Members also believed that current planning and priority-setting processes needed greater focus on coordinated identification of highest priority investment needs. Any consideration of new revenues should be deferred, they felt, until cost efficiencies and priority investments had been identified by the Administration and Investment Strategies Committees.

The preliminary options list presented in this report is the result of this committee process. Each option had at least one or several advocates on the committee and some options had general consensus. Some of the options were highly controversial and elicited spirited debate. Some options had the support of committee members even though they felt the options might be unpopular in a general public setting. Nevertheless, committee members felt committed to make the best possible set of recommendations, even if the list might prove controversial.

Relationship to Findings

Following are highlights of the findings on transportation funding, as adopted by the Blue Ribbon Commission on Transportation at its October 1999 meeting:

The transportation funding structure. Washington's funding structure is characterized by a high degree of fund dedication with numerous restrictions and a system that is not very flexible or responsive to changing conditions. The revenues generated by the gas tax, the largest single source of funds, do not keep pace with inflation. Overall, there is an insufficient level of funding for the roadway system at the state, county and city levels as well as for alternative modes such as transit, passenger and freight rail, and trip reduction programs. The restrictive categories, together with differing priorities and inequities in access to funds, have limited the ability to use available funds in the most efficient ways.

The distribution of gas tax to the state, cities and counties. Gas tax levels allocated to the state, counties and cities do not reflect actual roadway responsibilities and are not regularly evaluated to determine if conditions are changing. Allocation levels also do not reflect changing demographics. Funding levels are not regularly adjusted to meet the needs of the system.

Local transportation funding. The state, counties and cities are treated differently with respect to their access to dedicated transportation sources. The state and counties rely entirely on dedicated funds for transportation, while cities are required to fund a significant portion of their local transportation needs out of their general funds. Cities and counties are unable to fully meet even basic maintenance and preservation needs.

Non-traditional funding mechanisms. Mechanisms such as local improvement districts and tax increment financing are little used in their current forms because of high implementation costs and restrictive statutes. However, such mechanisms could generate new revenue streams and leverage the capital and development techniques of the private sector.

Market mechanisms and user fees. Market pricing mechanisms such as fuel fees, parking charges and road pricing are tools that could be effective in redressing an existing imbalance between infrastructure needs and financial capacity. Use of market mechanisms could reduce demand while generating significant new revenues.

Public opinion on transportation funding. Many members of the public are skeptical that there are large unfunded needs and feel that existing money is not being spent wisely. However, polls indicate that voters believe that spending will need to be increased to maintain and improve the system.

These findings were used by the Revenue Committee to develop, first, a set of principles and goals for any future revenue-related recommendations, and then, a list of revenue options that address the findings and are guided by the goals and principles.

As it learned about the transportation funding system, the committee found that there are historical elements of the system that were once appropriate but may no longer meet the needs of transportation in Washington today and in the future. Yet when the committee began deliberating on how to change such elements, it quickly learned that each existing funding source and its specific distributions and restrictions balance other parts of the system in a delicate network of relationships. To change just one part of the system can have dramatic consequences that ripple through the entire structure. (Thus for example, the elimination of the motor vehicle excise tax (MVET) by voter initiative last year left a gap in transit funding that was disproportionate to the funding for other modes).

The committee chose to recommend a limited set of structural changes to make more efficient use of existing funding. It was not a wholesale overhaul, but rather developed options selectively to address specific problems. Options were considered and retained if they were felt by at least several committee members to address findings in a significant way. For example, changes to the numerous dedicated funds and accounts were not recommended after considering the very small amount of money involved and the very specific purpose being met by some of these accounts.

REVENUE COMMITTEE PRINCIPLES AND GOALS

The committee discussed and agreed upon the following goals and general principles for its revenue options.

Goals/Criteria

Simplification. Any revenue measures should contribute to streamlining and simplifying the existing transportation funding structure and avoid further layering of fund restrictions. Grant programs should be consolidated and grant criteria loosened.

Flexibility. Funds should be able to be used across all modes for the best possible mix of projects.

Equity. The access to funds among governmental jurisdictions and transportation modes should be equitable and not favor certain parts of the system.

Stability. Funding sources should be predictable and keep pace with the economy.

Public understanding. The funding structure should be understandable to lay people and sources should be clearly linked to functions in ways that are easy to explain.

Principles

Create a system that makes sense to the public:

- Treat transportation like other basic infrastructure, i.e.,

    - ensure basic operation and maintenance is adequate
    - ensure that growth and change over time can be addressed
    - use long-term financing to pay for facilities that have a long-term useful life
- Link transportation-related taxes to transportation purposes that are easily understood
- Shift funding focus to user fees--those who use the system should also pay for it
- The revenue system should consider the movement of people and goods and the impacts of mobility on the economy

Create a funding structure that is rational and efficient:

- Treat the state, counties and cities comparably in how their transportation facilities are funded
- Shift funding focus from jurisdictions to functions (maintenance, safety, mobility, etc.) and to corridors and facility clusters
- Simplify grant funding by loosening restrictions
- Recognize differential regional needs, both rural and urban
- The revenue system should not only raise revenues, but also focus on mobility

REVENUE COMMITTEE OPTIONS

There are two broad categories of revenue options:

- **Group A** -- Restructuring the current revenue system to make more efficient use of existing revenues and to meet the goals of the Revenue Committee: simplification, flexibility, equity, stability, and public understanding;
- **Group B** -- Generating new revenues for specific purposes to be determined.

All options are intended for discussion by the Blue Ribbon Commission, stakeholders and the public and should be mixed and matched as needed. Some options are mutually exclusive and others could be combined into linked sets.

GROUP A – OPTIONS FOR MORE EFFICIENT USE OF CURRENT SYSTEM

Option A1: Develop a new funding framework based on two categories: 1) maintaining the current system and 2) improving the system to meet the needs of growth, economic initiatives and changing circumstances.

At the state, regional and local levels,

- basic functions would be funded by directly distributed formula funds (e.g. gas tax for highways and ferries, and other sources for public transportation, rail and trip reduction programs);
- improvements and all other investments would be funded by flexible, non-18th Amendment funds; for example, the following might be a functional breakdown of funding:

	Basics Operations, Maintenance, Preservation, Safety, Agency Functions	**Improvements** Mobility, Economic Initiatives, Freight Mobility, Enhancements, etc.
Statewide	State highways, auto ferries, passenger and freight rail, aviation	State highways, auto ferries, passenger and freight rail, aviation
Regional	Regional arterials, passenger ferries, public transportation, trip reduction	Regional arterials, passenger ferries, public transportation, trip reduction
Local	Local streets and roads	Local streets and roads

Option A2: Provide a baseline allocation for state highway operation, maintenance, preservation and safety programs, for operation of the basic auto ferry system and for WSDOT agency overhead from state gas tax funds. Direct funds beyond the baseline to priority decision-making processes in which modes compete on a regional basis.

Current (1999) estimated annual cost to provide baseline operation and maintenance of the state system is $930 million at Transportation Commission policy levels (see breakdown in Table 1.) (This is not the current budgeted level but rather the amount needed to fund service levels as adopted in the Washington Transportation Plan. It is assumed that efficiencies will be identified to reduce this figure.) Option B4 below proposes annual adjustments to the gas tax to keep pace with inflationary cost increases in basic highway functions. Options A3 and A8 propose baseline funding of city streets, county roads, public transit and alternate modes.

Option A3: Provide baseline allocations for roadway preservation to cities and counties from gas tax funds. In addition to existing distributions, convert some competitive grant programs into pass-through distributions to accomplish this.

To reduce costs associated with grant preparation and selection processes, some funds that have been previously distributed through competitive processes (state or federal) would be shifted to a pass-through format. This is particularly applicable for funding basic maintenance and preservation at the local government level. Pass-through funds would be tied to the use of street inventories and pavement management systems and to requirements that local funds not be supplanted. Option B4 proposes annual adjustments to the gas tax to keep pace with inflationary cost increases in basic functions.

Two examples:

- The Small City Account would become a Small City Pavement Preservation Program with funds allocated to small cities based on road miles and road condition. Funds sufficient to maintain roads at a least-cost level would be disbursed to each small city on a rotating basis.

This would be used to offset the loss of federal funds previously provided to smaller cities in some regions.

- UATA could become, in part, a pass-through mechanism for medium and larger size cities and counties with urban arterial preservation needs. Each jurisdiction would be guaranteed a certain level of funding every x years based on miles of roadway or other factors. A new level of predictability in funding for basic functions would free up local funds for improvement projects.

Option A4: New distribution formula for converted / new gas tax funds

For cities and counties, the newly converted preservation pass-through funds would be distributed according to new mileage-based formulas, e.g.:

	Number	Current Alloc. Gas Tax/Pop	Centerline Miles	Option: Gas Tax/Mile	Arterial Miles	Option: Gas Tax/Mile
Cities				@($3,333/Mile)		($5,000/Mile)
Under 2500	148	$3,154,800	1,348	$4,493,333		
2500-5000	32	$2,531,435	852	$2,840,000		
5000-22,500	63	$14,169,860	3,279		344	$1,717,850
Over 22,500	35	$53,652,898	8,786		1,402	$7,010,950
Total	278	$73,508,993	14,265	$7,333,333		$8,728,800
					Urban Art. Miles	
Counties	39				1,610	$8,050,000

Example (**for illustration only—NOT a recommendation**):

- Cities under 5,000 receive pass-through funds for preservation of all centerline miles at a rate of $50,000 per mile once every 15 years or the equivalent of $3,333 per mile on an annual basis. ($50,000 is the average cost per mile of a 2" asphalt overlay.)
- Cities over 5,000 receive pass-through funds for arterial miles only, but the rate is higher: $50,000 per arterial mile once every 10 years or the equivalent of $5,000 per mile on an annual basis. Under this distribution formula, $16 million in funds is needed for cities, or the equivalent of one-half cent of gas tax.
- Counties receive pass-through preservation funds for urban arterial miles at the same rate as larger cities, creating a need for an additional $8 million.
- Currently, the Small City Account receives $7.5 million a year; the Urban Arterial Trust Account receives about $30 million per year. The proposed conversion could be funded using existing funds. It would be preferable, however, to create the conversion and then back-fill the redirected funds with new money allocated to improvement projects.

Option A5: Counties assume jurisdiction of all streets in cities under 5,000 in population.

This proposal is an alternative to parts of Options 3 and 4. Since the smallest cities generally do not have professional public works staff or pavement management systems, their ability to manage their own streets is very limited. Rather than provide them with formula funds for preservation along with technical assistance, have ownership of and responsibility for these streets go over to the authority of the county in which each city is located. Gas tax funding

would follow the jurisdiction transfer. This option would remove the need for extensive technical assistance and grant programs for small cities. Table 2 shows cities under 5,000 that would be affected by this option, by county, and the related road miles.

Option A6: Change the formula for distribution of gas tax funds to cities.

Base future distributions of new gas tax funds to cities on road miles and other demographic and utilization factors (e.g. growth rate, employment base, VMT), not on population as it is currently done. Population, by itself, is not a good indicator of infrastructure and funding needs. The dollars per mile under the current formula result in highly inequitable fund distribution. The counties use a distribution formula with multiple variables, including road miles, need and population, agreed upon through the Road Jurisdiction (RJC) process. Cities should develop a new formula through the next RJC process.

The attached Table 3 shows a small sample of cities by size along with the current formula distribution and two alternative distributions for illustration purposes. The intent of the alternative formulas is to consider other variables in addition to population that would allow for shifting of funds to accommodate density and growth in the incorporated areas; and to preserve existing levels of funding as much as possible. The variables used in the options are limited to the data available for cities. For future consideration of more accurate distribution formulas, data could be collected on lane miles, vehicle miles traveled, registered motor vehicles, pavement width, and street enhancements for all cities.

Distribution Option 1:
Under Option 1, the city direct gas tax funds would be based on the following:

- 70% based on population
- 10% based on centerline miles
- 20% based on adjusted arterial miles

A more accurate variable to use in lieu of centerline and arterial miles would be lane miles, however these data are not available for cities. Consequently, the arterial mile data were adjusted to approximate lane miles for each jurisdiction. It was assumed the larger the population, the more large arterials the city would have and the more lane miles would exist. The following formula was used to adjust arterial centerline miles to lane miles:

Population	**Adjusted Arterial Formula**
22,500 or more	4 x number of arterial centerline miles
5,000 – 22,500	3 x number of arterial centerline miles
5,000 and under	2 x number of arterial centerline miles

Option 2:
Under Option 2, cities would receive a base distribution equal to the direct gas tax distribution made to cities in 1998. Any increase in revenue over the base in future years due would be distributed to cities based on the following:

- 50% based on population
- 25% based on centerline miles
- 25% based on adjusted arterial miles

The adjusted arterial mile is calculated the same as in Option 1.

Under both options, future levels of funding would shift widely from previous distributions for some jurisdictions. While the alternative formulas are more sensitive to density and growth, they represent a significant change and a gradual "ramping" of the formulas over a period of years might be appropriate.

Option A7: Adjust future county and city gas tax distributions such that direct distribution dollars for basic functions follow road miles upon incorporation or annexation.

Currently, when a previously unincorporated area becomes a city or is annexed to a city, no new tax funds are made available to that city. Gas tax that was allocated to the county for the unincorporated road miles continues to be part of all county funding (although not necessarily the same county). Cities as a group receive a single fixed distribution that is divided among them by population, resulting in diminishing funds per capita as new cities are created. This penalizes cities and appears to go against the intent of the Growth Management Act which encourages concentration of facilities in incorporated areas.

Future methods of distributing gas tax might allocate funds based on a percentage of total statewide county road miles (or other variables) for counties and a percentage of total countywide city street miles for cities. Thus, as annexations and incorporations occur, funds can be shifted over time based on local comprehensive plan facility needs.

Option A8: Determine adequate levels of funding for basic operation and maintenance of public transit, passenger-only ferry service, passenger and freight rail services and trip reduction programs and ensure a basic fund allocation to these modes that keeps pace with inflation.

As with the roadway system, allocate sufficient funds for the basics in these alternate modes. Table 1 indicates that the estimated baseline costs, at 1999 policy levels, to provide local public transit service are $1,126 million, passenger ferry service $8.5 million and all other modes $48 million. The loss of the motor vehicle excise tax through Initiative 695 has left a funding gap of some $700 million in transit and ferry services that will need to be considered.

Option A9: Develop new joint regional programming of federal funds

Federal dollars previously allocated to the state, regions and local jurisdictions would be pooled and prioritized by region. Entities within a region would develop agreements on how federal dollars should be used.

- To meet the BRCT goal of shifting funding focus to facility clusters and corridors, federal dollars would be focused on major corridors.
- This consolidation would allow flexible mixing and matching of funds for various purposes and modes.
- Federal bridge and safety funds as well as public transit funds need to be held out of the regional pools and allocated according to federal law.

- By agreement, federal dollars could be concentrated on fewer and larger projects and would no longer flow to smaller jurisdictions. To offset funds that small jurisdictions previously received, there could be an increase in direct distributions (see options 4 and 5 above).
- Federally funded projects would be managed by only the largest jurisdictions, e.g. those that are CA designated. Administration of federal funds would continue to be located at WSDOT, as required by federal law.
- Following variants to this option are also under discussion by the Administration Committee:

  Option A9a: In addition to federal funds, state funds would be included in the regional prioritization process. This could entail having competitive grant programs run at the regional level.
  Option A9b: New local option regional funds would be added to the joint pool of federal and/or state funds.

Option A10: Joint programming / administration of state competitive and pass-through funds

The WSDOT Local Roadways Division and the Transportation Improvement Board would merge into a new hybrid organization. The new entity would manage the TIB's existing grant programs as well as the new pass-through funds along with a systematic program of technical assistance. The goal of the merger would not be to achieve efficiencies through staff reductions, but rather to achieve better coordination and enhanced services to local agencies. The new hybrid entity could have the following features:

- Located within WSDOT, but with a separate governing board with stakeholders represented on it. The governing board would still set policy and program criteria.
- WSDOT expertise in technical assistance to local government (e.g. pavement management systems) would continue to be utilized. WSDOT's functions in setting and monitoring standards would also be retained.

Option A11: Simplify most state grant funding programs

Eliminate local match and leveraging requirements to allow single source funding of most projects. Create incentives to match or leverage funds to encourage partnering, but do not make it a requirement, especially on smaller projects. Create one-stop grant funding centers where all competitive funds are disbursed under regional priority programming agreements and administered using a single application process.

Option A12: Adopt a new regional equity principle for taxes and fees based on where they are generated.

Create a three-tiered regional equity principle: 1) allocate sufficient funds to basic operations, maintenance, preservation and agency overhead at a minimum agreed upon level for the statewide, county and city roadway systems from statewide funds; 2) allocate all other funds such that they *primarily* benefit the region in which funds are generated; 3) allocate all funds locally or regionally authorized for that region's benefit. For example, at the second tier, a

minimum return would be guaranteed and at the third tier, 100% of locally or regionally voted taxes or fees would remain in the home region.

A scenario could be established under which, at the second tier, a minimum return of 90% is guaranteed to each region. Table 4 shows such a 90% return scenario. In the Northwest WSDOT Region the scenario would guarantee $5.6 billion in funds for spending in that region over 20 years, unlike the current Highway System Plan which would allocate about $4.0 billion to the region. The "regional return" funds could potentially be programmed through a regional process such as proposed under Option A9a. The unallocated remaining statewide funds could be designated partly to poorer regions and partly to large projects of statewide significance.

GROUP B: OPTIONS TO GENERATE REVENUE

General Taxes—Proposed to be used either statewide or by new Regional Transportation Authorities

Option B1: Authorize an increase in the state sales tax, the new revenue to be dedicated to transportation improvements, including roads, ferries, freight mobility, transit and trip reduction.

Modes would compete against each other for best use of funds in each region. Bonding would be used where appropriate, especially for major facilities with a useful life that exceeds the life of the bonds (usually 25 or 30 years). Funds would be allocated to statewide, regional and local projects, as well as to a fund for very large projects (over $100 million). To illustrate:

- Statewide improvements 25%
- Regional improvements 25%
- Local improvements 25%
- Very large projects 25%

Each one-tenth increase in the sales tax (e.g. 8.2 % to 8.3%) generates $80 million statewide.

Bonded, one-tenth could generate as much $800 million statewide. (The use of bonding for facilities with a long useful life is consistent with the principle that transportation should be funded like other basic infrastructure. Like a home mortgage, bonds allow very expensive long-life facilities to be paid for over the duration of time they will be used.)

A household with taxable retail spending of $10,000 per year, would pay $10 a year more per each tenth of sales tax imposed.

Option B2: Authorize a sales tax on gas, to be imposed on the underlying commodity price, not on the full price that includes state and federal fuel taxes.

The full price of a gallon of gas already includes state and federal motor fuel taxes. Thus a sales tax on the full price of gas would represent double taxation. Dedicate the proceeds of the new tax to transportation purposes. The revenue from this source would fluctuate with the commodity price.

A typical recent gas price is $1.80 per gallon. At a gas tax rate of 41.4 cents per gallon (23 cents state, 18.4 cents federal), the recent commodity price is about $1.40 per gallon. At a typical sales tax rate of 8.2%, a 15-gallon tank full of gas would cost $1.72 more. A user who buys 30 tanks of gas a year would pay $52 more per year.

Option B3: Shift sales tax revenues generated by transportation from the General Fund to transportation purposes.

Given the strong recent growth in the economy, it is possible to shift these surplus General Fund revenues to transportation without cutting into education or other important general programs. To alleviate concerns that these funds would be needed in the future if the economy slows, an annual re-authorization of these funds based on revenue forecasts under the 601 spending limit could be included as part of the proposal. At a given growth rate threshold, the funds would revert to the General Fund.

Following are 1999 estimates of transportation-related sales tax revenues. Various legislative proposals to shift some combinations of these funds to the transportation budget were submitted in the 2000 legislative session, but none became law.

State highway and ferry construction	$30 million
City and county street and road construction	$34 million
Transit construction	$21 million
New and used vehicle sales	$592 million
Auto repair and accessories	$153 million
Total	**$830 million**
Source: WSDOT Economics Branch, except for transit construction which is an estimate based on Sound Transit 10-year program	

General Taxes/User Fees—Proposed to be used statewide

The gas tax is sometimes considered a general tax and sometimes a user fee. Here it is proposed to be used like a general tax to fund basic maintenance functions at all levels.

Option B4: Increase the statewide gas tax periodically to meet needs for basic maintenance, preservation and safety of the highway, bridge and auto ferry systems.

Authorize inflationary adjustments each year to keep pace with costs of basic functions at the state, county and city levels. As an example, assuming 3% inflation, an annual inflationary

increase for basic functions at the state level alone would require about $28 million in 2001. This calls for annual gas tax increases of one cent or more each year for the next 20 years. Increases for regional and local roadway and bridge maintenance would require smaller amounts. Cost efficiencies would need to be sought as well.

Each cent of gas tax generates $33 million per year (year 2000).

Option B5: Index the gas tax to inflation with a cap on increases.

As an alternative to B4, allow the current 23 cent state gas tax to increase automatically at a rate equal to the CPI index of the previous year, however provide that it should not rise more than a certain percent in any given year.

User Fees—Proposed to be used by new Regional Transportation Authorities, cities, counties and transit districts

The following user fee-based options are proposed to be included in a "tool box" of options to be used with approval of voters in newly created Regional Transportation Authorities:

Option B6: Create an optional regional VMT charge.

Develop a three-year or five-year demonstration program to impose a charge based on vehicle miles traveled (VMT) up to 2 cents per mile, on the honor system the first year and subject to odometer checks the second and third years.

Each vehicle owner would be required to estimate annual miles traveled within the region imposing the charge, but no more than 10% less than the number of miles reported to the vehicle owner's insurance company. For example, if a user declares 10,000 miles per year to the insurance company, 10% or 1,000 miles could be assumed to be traveled outside the region and not subject to the VMT charge. The mileage fee could be paid once a year at the time of vehicle license renewal or it could be collected on monthly billings under agreement with telephone or other utility companies.

Much like the RTA, the program would identify specific regional improvements to be funded by the new VMT charge and mechanisms would be put in place to ensure accountability to the voters. The charge could be re-authorized by voters after the three-year pilot period. Each cent per mile charge in the Puget Sound region was estimated in 1994 to generate $220 million.

At one cent per mile, a user traveling 10,000 miles per year in the region would pay $100 per year. If collected on utility bills, a charge of $8.33 would be added to monthly light or heat bills.

Since this charge would impose a disproportionate burden on vehicle owners who live a long distance from their work and on commercial vehicles that make calls or deliveries over a large territory, special limits might be imposed on certain classes of vehicles.

> **Option B6a**: One way to address the equity issue could be to allow a certain number of "free" miles before the mileage charge takes effect, e.g. for drivers below a certain income threshold or who live more than a set number of miles from their work place, the first 3,000 or 5,000 miles could be free.

Option B7: Create an optional regional Vehicle License Fee at any level up to $100 per vehicle.

Unlike Option B5 above, this is a flat fee in which each car pays the same amount annually. As such, it is regressive and imposes a disproportionate burden on people of lower incomes.

> **Option B7a**: If regional transportation authorities are not created, increase the existing county-authorized Vehicle License Fee from $15 to up to $45 per vehicle.

Option B8: Create a two-tiered user charge consisting of a flat fee portion per vehicle plus a variable portion based on miles traveled.

A combination of options B5 and B6, this option could consist of two parts, for example, a $25 flat fee per vehicle plus a mileage charge as outlined above.

Option B9: Authorize tolls for use of congested facilities.

Develop a phased implementation strategy to impose tolls on one or several of the most heavily congested routes in urban areas, e.g. I-5, I-90, I-405, SR 520 or SR 167. Authorized under the federal Value Pricing Pilot Project, and building on the Puget Sound Regional Council's pricing study (currently underway), the implementation could begin with research on pricing models, electronic revenue collection technology and selection of a suitable first project.

Option B10: Authorize tolls to pay for new facilities.

Allow tolls to be imposed on an existing or new roadway or bridge to pay for the development and construction of a new, parallel facility that adds capacity to the corridor. Thus users of the corridor pay for the addition of new capacity.

Option B11: Create a regional weight-based vehicle fee.

Subject to voter approval, such a fee could be imposed at any level up to $xx per ton of vehicle weight. This could be used in conjunction with the VMT charge, with heavier vehicles and commercial vehicles opting to pay either the weight-based or the mileage-based charge. For very heavy vehicles, this would in part recover revenues from MVET no longer paid by trucks since the passage of I-695.

Option B12: Develop a public-private initiative to examine the feasibility of creating HOT lanes on I-405 and SR 167 in King County.

I-405 and SR 167 have been identified as the most likely candidate facilities for the benefits of high occupancy toll (HOT) lanes. A request for proposal (RFP) could be issued to the

engineering and financial communities to determine the feasibility of a new PPI project, based on the lessons learned from recent experiences with other projects in Washington.

Local Option Taxes – Proposed to be used by cities, counties and transit districts

Option B13: Authorize an optional increase in the local sales tax (in addition to the statewide option proposed above in Option B1), to be dedicated to transportation purposes at the local level.

The revenues from the optional local sales tax could be divided among the county, cities and transit district; or alternatively, entities would have to agree on common priorities, e.g. a set of corridor solutions that solve problems jointly for the county, cities within the county and the transit district.

Option B14: Increase the existing local option gas tax from 10% (currently 2.3 cents) to a flat rate of up to 5 cents per gallon.

Require distribution of proceeds among the county and cities.

> **Option B14a**: Authorize an additional local option gas tax to cities over 100,000 in population at a rate of up to 2 cents per gallon.

Option B15: Authorize cities and counties to impose a new commuter parking tax on employers.

The tax could be a flat rate per parking stall (regardless of whether provided free or at a cost to employees). Alternatively, impose a commuter parking tax on employer-provided parking subsidies (e.g. if an employer provides parking worth $100,000 per year, that amount would be taxed at a given percentage.)

> **Option B15a**: Authorize a local option ride sharing tax credit to cities and counties to provide an incentive to employers to develop and fund trip reduction programs and to offset the burden of new parking taxes on businesses.

Option B16: Authorize to counties and cities tax increment financing based not on the property tax but on the sales tax.

If a specific investment in transportation facilities could be demonstrated to increase taxable retail sales, the portion of the sales tax revenues attributable to the investment would be reserved to service financing costs.

Table 1

Annual Basic Functions – WSDOT (Millions of 1999 $)									
	State Highways	Auto Ferries	Passenger Ferries	Passenger Rail	Freight Rail	Aviation	Public Transp. & CTR	WSDOT Admin.	Total
WSDOT administration and support								120.0	
Traffic operations	24.8	117.5	6.7	13.5	0.5	0.9	11.7		
Maintenance	151.0	29.3	0.8	2.5		0.2			
Safety	108.0	3.4	0.0	0.9		0.5	0.2		
Preservation	276.0	99.3	1.0	9.1	3.0	4.3	0.6		
Total	559.8	249.5	8.5	26.0	3.5	5.9	12.5	120.0	**985.7**
Source: Estimated 1999 cost at Transportation Commission policy levels (not actual budgeted)									
Annual Basic Functions – Cities (Millions of 1999 $)									
Maintenance	173.6								
Maintenance of Facilities	8.2								
Adminis tration	54.6								
Preservation	69.5								
Total	305.9								
Source: Based on total expended 1998 all cities									
Annual Basic Functions – Counties (Millions of 1999 $)									
Maintenance	241.5								
Maintenance of Facilities	4.9								
Administration	95.8								
Preservation	202.5								
Total	544.7								
Source: Total budgeted 1999 all counties									
Annual Basic Functions - Public Transit (Millions of 1999 $)									
Local Public Transit	951.1								
Paratransit	174.5								
Total	1,125.5								
Source: Estimated Washington Transportation Plan									

Table 2

Cities Under 5,000, By County

County	Existing County Road Miles	Cities < 5,000	4/1/99 Population	City Street Miles	Projected County Road Miles	Increase in Road Miles	Percent Increase
Adams (4)	1,780.53	Hatton	*120*	2.14			
		Lind	*480*	11.20			
		Ritzville	*1,755*	18.80			
		Washtucna	*271*	4.95	1,817.62	37.09	2.08%
Asotin (1)	397.07	Asotin	*1,090*	9.45	406.52	9.45	2.38%
Benton (2)	880.22	Benton City	*2,175*	20.10			
		Prosser	*4,900*	42.31	942.63	62.41	7.09%
Chelan (4)	660.13	Cashmere	*2,685*	14.02			
		Chelan	*3,410*	24.52			
		Entiat	*935*	7.50			
		Leavenworth	*2,265*	11.55	717.72	57.59	8.72%
Clallam (2)	487.74	Forks	*3,460*	17.80			
		Sequim	*4,445*	39.66	545.20	57.46	11.78%
Clark (3)	1,076.38	La Center	*1,545*	9.21			
		Ridgefield	*2,115*	10.00			
		Yacolt	*1,020*	6.74	1,102.33	25.95	2.41%
Columbia (2)	504.30	Dayton	*2,555*	17.85			
		Starbuck	*165*	0.90	523.05	18.75	3.72%
Cowlitz (3)	537.38	Castle Rock	*2,105*	14.12			
		Kalama	*1,630*	17.01			
		Woodland	*3,715*	20.60	589.11	51.73	9.63%
Douglas (4)	1,642.49	Bridgeport	*2,125*	15.99			
		Mansfield	*365*	6.00			
		Rock Island	*630*	5.30			
		Waterville	*1,120*	15.81	1,685.59	43.10	2.62%
Ferry (1)	726.64	Republic	*1,040*	12.00	738.64	12.00	1.65%
Franklin (3)	1,007.91	Connell	*2,800*	18.90			
		Kahlotus	*245*	3.50			
		Mesa	*425*	6.38	1,036.69	28.78	2.86%
Garfield (1)	452.79	Pomeroy	*1,445*	1.20	453.99	1.20	0.27%
Grant (12)	2,511.60	Coulee City	*579*	7.34			
		Electric City	*985*	10.30			
		George	*478*	5.65			
		Grand Coulee	*1,235*	11.39			
		Hartline	*180*	8.20			
		Krupp	*56*	2.65			
		Mattawa	*1,870*	5.63			
		Quincy	*4,120*	32.83			
		Royal City	*1,600*	8.38			
		Soap Lake	*1,484*	22.22			
		Warden	*2,315*	21.90			
		Wilson Creek	*231*	5.50	2,653.59	141.99	5.65%

County	Existing County Road Miles	Cities < 5,000	4/1/99 Population	City Street Miles	Projected County Road Miles	Increase in Road Miles	Percent Increase
Grays Harbor (7)	557.24	Cosmopolis	*1,555*	10.34			
		Elma	*3,045*	18.30			
		McCleary	*1,565*	8.00			
		Montesano	*3,580*	22.70			
		Oakville	*670*	7.86			
		Ocean Shores	*3,270*	115.00			
		Westport	*2,075*	31.00	770.44	213.20	38.26%
Island (2)	588.71	Coupeville	*1,640*	11.07			
		Langley	*1,095*	7.20	606.98	18.27	3.10%
Jefferson (0)	392.09				392.09	0.00	0.00%
King (12)	1,994.21	Algona	*2,110*	16.86			
		Beaux Arts	*289*	2.50			
		Black Diamond	*3,825*	26.04			
		Carnation	*1,785*	7.10			
		Clyde Hill	*2,883*	21.00			
		Duvall	*4,435*	24.00			
		Hunts Point	*472*	2.30			
		Medina	*2,940*	14.62			
		North Bend	*3,815*	29.59			
		Skykomish	*275*	2.50			
		Snoqualmie	*1,980*	18.45			
		Yarrow Point	*980*	3.98	2,163.15	168.94	8.47%
Kitsap (0)	921.10				921.10	0.00	0.00%
Kittitas (4)	560.99	Cle Elum	*1,795*	16.43			
		Kittitas	*1,135*	6.00			
		Roslyn	*938*	11.55			
		South Cle Elum	*510*	4.96	599.93	38.94	6.94%
Klickitat (3)	1,084.13	Bingen	*705*	12.20			
		Goldendale	*3,570*	31.00			
		White Salmon	*2,035*	25.00	1,152.33	68.20	6.29%
Lewis (7)	1,058.80	Morton	*1,275*	13.00			
		Mossyrock	*565*	4.70			
		Napavine	*1,255*	8.25			
		Pe Ell	*685*	5.37			
		Toledo	*690*	5.95			
		Vader	*490*	4.74			
		Winlock	*1,225*	14.20	1,115.01	56.21	5.31%
Lincoln (8)	2,047.43	Almira	*304*	7.00			
		Creston	*250*	6.40			
		Davenport	*1,778*	1.25			
		Harrington	*482*	6.51			
		Odessa	*975*	10.50			
		Reardan	*610*	7.45			
		Sprague	*455*	7.00			
		Wilbur	*895*	17.25	2,110.79	63.36	3.09%

County	Existing County Road Miles	Cities < 5,000	4/1/99 Population	City Street Miles	Projected County Road Miles	Increase in Road Miles	Percent Increase
Mason (0)	621.11				621.11	0.00	0.00%
Okanogan (13)	1,375.76	Brewster	*2,065*	18.00			
		Conconully	*200*	3.66			
		Coulee Dam	*1,093*	7.15			
		Elmer City	*310*	4.60			
		Nespelem	*265*	2.40			
		Okanogan	*2,385*	15.95			
		Omak	*4,545*	32.30			
		Oroville	*1,585*	16.00			
		Pateros	*630*	6.34			
		Riverside	*350*	4.32			
		Tonasket	*1,010*	8.00			
		Twisp	*990*	14.00			
		Winthrop	*380*	6.10	1,514.58	138.82	10.09%
Pacific (4)	349.54	Ilwaco	*860*	7.50			
		Long Beach	*1,440*	14.30			
		Raymond	*2,950*	24.01			
		South Bend	*1,650*	13.30	408.65	59.11	16.91%
Pend Oreille (5)	551.53	Cusick	*246*	4.20			
		Ione	*452*	3.90			
		Metaline	*172*	1.92			
		Metaline Falls	*230*	2.13			
		Newport	*1,980*	33.00	596.68	45.15	8.19%
Pierce (9)	1,522.43	Buckley	*3,980*	27.70			
		Carbonado	*649*	4.09			
		Du Pont	*1,755*	14.63			
		Eatonville	*1,915*	10.97			
		Orting	*3,825*	9.23			
		Roy	*370*	8.20			
		Ruston	*745*	7.16			
		South Prairie	*485*	4.25			
		Wilkeson	*430*	4.21	1,612.87	90.44	5.94%
San Juan (1)	273.39	Friday Harbor	*1,900*	12.25	285.64	12.25	4.48%
Skagit (4)	804.54	Concrete	*780*	15.00			
		Hamilton	*300*	4.55			
		LaConner	*800*	5.70			
		Lyman	*320*	3.16	832.95	28.41	3.53%
Skamania (2)	245.55	North Bonneville	*596*	9.00			
		Stevenson	*1,275*	13.11	267.66	22.11	9.00%
Snohomish (7)	1,625.09	Darrington	*1,245*	7.35			
		Gold Bar	*1,810*	8.60			
		Granite Falls	*2,010*	8.00			
		Index	*140*	2.00			
		Stanwood	*3,380*	19.23			
		Sultan	*2,955*	20.51			
		Woodway	*990*	8.30	1,699.08	73.99	4.55%

County	Existing County Road Miles	Cities < 5,000	4/1/99 Population	City Street Miles	Projected County Road Miles	Increase in Road Miles	Percent Increase
Spokane (9)	2,954.77	Airway Heights	*4,495*	22.50			
		Deer Park	*2,965*	42.65			
		Fairfield	*605*	8.06			
		Latah	*212*	7.00			
		Medical Lake	*3,870*	23.65			
		Millwood	*1,665*	24.00			
		Rockford	*517*	7.73			
		Spangle	*255*	4.30			
		Waverly	*130*	6.00	3,100.66	145.89	4.94%
Stevens (6)	1,492.85	Chewelah	*2,435*	25.39			
		Colville	*4,750*	33.61			
		Kettle Falls	*1,535*	10.23			
		Marcus	*154*	2.60			
		Northport	*312*	4.90			
		Springdale	*260*	11.00	1,580.58	87.73	5.88%
Thurston (4)	1,015.63	Bucoda	*645*	4.14			
		Rainier	*1,570*	15.50			
		Tenino	*1,600*	10.03			
		Yelm	*2,750*	34.57	1,079.87	64.24	6.33%
Wahkiakum (1)	143.35	Cathlamet	*545*	5.20	148.55	5.20	3.63%
Walla Walla (2)	960.84	Prescott	*335*	4.48			
		Waitsburg	*1,200*	10.85	976.17	15.33	1.60%
Whatcom (4)	948.63	Blaine	*3,640*	31.10			
		Everson	*1,840*	9.22			
		Nooksack	*890*	8.10			
		Sumas	*976*	21.00	1,018.05	69.42	7.32%
Whitman (15)	1,925.55	Albion	*685*	7.01			
		Colfax	*2,880*	37.00			
		Colton	*370*	4.65			
		Endicott	*351*	5.31			
		Farmington	*150*	7.41			
		Garfield	*592*	8.59			
		LaCrosse	*380*	5.00			
		Lamont	*85*	2.00			
		Malden	*265*	4.38			
		Oakesdale	*445*	11.50			
		Palouse	*985*	10.00			
		Rosalia	*644*	13.50			
		St. John	*555*	8.70			
		Tekoa	*815*	12.19			
		Uniontown	*330*	7.32	2,070.11	144.56	7.51%

County	Existing County Road Miles	Cities < 5,000	4/1/99 Population	City Street Miles	Projected County Road Miles	Increase in Road Miles	Percent Increase
Yakima (8)	1,721.60	Granger	*2,255*	10.16			
		Harrah	*545*	2.88			
		Mabton	*1,655*	9.88			
		Moxee	*1,050*	9.00			
		Naches	*715*	5.10			
		Tieton	*1,122*	6.41			
		Wapato	*3,975*	14.78			
		Zillah	*2,395*	17.55	1,797.36	75.76	4.40%
TOTAL	**40,402.04**			**2,253.03**	**42,655.07**	**2,253.03**	**5.58%**

Table 3

Alternative City Gas Tax Distribution
Option 1

Total Gas Tax to Cities in 1998 $73,508,993

City	Current Formula Population Only	Option 1 Formula 70% Population	10% Center Line Miles	20% Adj Arterial Miles	Total	Difference
Seattle	$12,133,243	$8,493,270	$851,808	$2,767,965	$12,113,043	-0.17%
Spokane	$4,233,258	$2,963,281	$473,570	$1,389,819	$4,826,670	14.02%
Tacoma	$4,181,551	$2,927,086	$413,794	$1,097,300	$4,438,180	6.14%
Vancouver	$2,967,552	$2,077,287	$242,196	$325,237	$2,644,720	-10.88%
Bellevue	$2,376,290	$1,663,403	$188,604	$528,179	$2,380,186	0.16%
Everett	$1,895,861	$1,327,103	$155,624	$442,139	$1,924,865	1.53%
Federal Way	$1,727,026	$1,208,918	$118,006	$212,757	$1,539,681	-10.85%
Kent	$1,609,897	$1,126,928	$115,429	$245,829	$1,488,187	-7.56%
Yakima	$1,445,333	$1,011,733	$130,889	$367,329	$1,509,951	4.47%
Lakewood	$1,405,990	$984,193	$94,302	$353,711	$1,432,206	1.86%
Bellingham	$1,393,401	$975,381	$162,323	$355,480	$1,493,183	7.16%
Kennewick	$1,132,841	$792,988	$117,491	$336,644	$1,247,124	10.09%
Shoreline	$1,132,841	$792,988	$72,143	$166,421	$1,031,553	-8.94%
Renton	$1,040,217	$728,152	$89,664	$317,809	$1,135,625	9.17%
Kirkland	$994,130	$695,891	$79,358	$203,119	$978,367	-1.59%
Redmond	$973,672	$681,570	$66,475	$247,244	$995,289	2.22%
Olympia	$878,351	$614,845	$96,878	$337,087	$1,048,810	19.41%
Edmonds	$868,009	$607,606	$68,536	$81,177	$757,319	-12.75%
Auburn	$841,706	$589,194	$64,929	$179,950	$834,074	-0.91%
Bremerton	$837,659	$586,361	$66,990	$133,614	$786,966	-6.05%
Richland	$828,667	$580,067	$113,368	$237,075	$930,510	12.29%
Longview	$765,718	$536,003	$71,628	$130,431	$738,062	-3.61%
Lynnwood	$744,361	$521,053	$47,924	$109,916	$678,892	-8.80%
Puyallup	$672,420	$470,694	$73,174	$181,365	$725,234	7.85%
University Place	$664,327	$465,029	$45,347	$176,855	$687,232	3.45%

Alternative City Gas Tax Distribution
Option 2

Total Gas Tax to Cities in 1998	$73,508,993
Total Gas Tax to Cities in 1999 (est.)	$75,714,263 estimated 3% growth
Growth	$2,205,270

	Current Formula	Option 3 Formula--Hypothetical 1999 Distribution					
City	Per Capita	1998 Base	Revenue Above Base 50% Population	Revenue Above Base 25% Centerline Miles	Revenue Above Base 25% Adj. Arterial Miles	Total Base + New Revenue	Difference
Seattle	$12,133,243	$12,133,243	$181,999	$63,886	$103,799	$12,482,926	2.88%
Spokane	$4,233,258	$4,233,258	$63,499	$35,518	$52,118	$4,384,393	3.57%
Tacoma	$4,181,551	$4,181,551	$62,723	$31,035	$41,149	$4,316,458	3.23%
Vancouver	$2,967,552	$2,967,552	$44,513	$18,165	$12,196	$3,042,427	2.52%
Bellevue	$2,376,290	$2,376,290	$35,644	$14,145	$19,807	$2,445,886	2.93%
Everett	$1,895,861	$1,895,861	$28,438	$11,672	$16,580	$1,952,551	2.99%
Federal Way	$1,727,026	$1,727,026	$25,905	$8,850	$7,978	$1,769,760	2.47%
Kent	$1,609,897	$1,609,897	$24,148	$8,657	$9,219	$1,651,921	2.61%
Yakima	$1,445,333	$1,445,333	$21,680	$9,817	$13,775	$1,490,604	3.13%
Lakewood	$1,405,990	$1,405,990	$21,090	$7,073	$13,264	$1,447,417	2.95%
Bellingham	$1,393,401	$1,393,401	$20,901	$12,174	$13,330	$1,439,806	3.33%
Kennewick	$1,132,841	$1,132,841	$16,993	$8,812	$12,624	$1,171,269	3.39%
Shoreline	$1,132,841	$1,132,841	$16,993	$5,411	$6,241	$1,161,485	2.53%
Renton	$1,040,217	$1,040,217	$15,603	$6,725	$11,918	$1,074,463	3.29%
Kirkland	$994,130	$994,130	$14,912	$5,952	$7,617	$1,022,611	2.86%
Redmond	$973,672	$973,672	$14,605	$4,986	$9,272	$1,002,534	2.96%
Olympia	$878,351	$878,351	$13,175	$7,266	$12,641	$911,432	3.77%
Edmonds	$868,009	$868,009	$13,020	$5,140	$3,044	$889,214	2.44%
Auburn	$841,706	$841,706	$12,626	$4,870	$6,748	$865,949	2.88%
Bremerton	$837,659	$837,659	$12,565	$5,024	$5,011	$860,259	2.70%
Richland	$828,667	$828,667	$12,430	$8,503	$8,890	$858,489	3.60%
Longview	$765,718	$765,718	$11,486	$5,372	$4,891	$787,467	2.84%
Lynnwood	$744,361	$744,361	$11,165	$3,594	$4,122	$763,243	2.54%
Puyallup	$672,420	$672,420	$10,086	$5,488	$6,801	$694,796	3.33%

Table 4 Regional Equity Allocation under Guaranteed 90% Return Scenario

	Statewide			NW Region			Olympic Region			SW Region		
	Regional Equity Allocation New Revenue	Highway System Plan New Revenue	Highway System Plan No New Revenue	Regional Equity Allocation New Revenue	Highway System Plan New Revenue	Highway System Plan No New Revenue	Regional Equity Allocation New Revenue	Highway System Plan New Revenue	Highway System Plan No New Revenue	Regional Equity Allocation New Revenue	Highway System Plan New Revenue	Highway System Plan No New Revenue
Revenues Generated												
New Revenue	9,380	9,380	0	4,797	4,797		2,007	2,007		777	777	
No New Revenue	9,000	9,000	9,000	4,280	4,280	4,280	1,997	1,997	1,997	792	792	792
Total	18,380	18,380	9,000	9,077	9,077	4,280	4,004	4,004	1,997	1,569	1,569	792
Highway Expenditures												
Maintenance	2,596	2,720	2,720	569	569	569	444	444	444	352	352	352
Preservation	3,507	3,769	3,769	1,194	1,194	1,194	856	856	856	479	479	479
Operations	673	450	450	225	225	225	100	100	100	50	50	50
Safety	2,108	2,108	1,350	544	544	544	617	617	597	320	320	71
Subtotal Basics (M,P,O,S)	8,885	9,047	8,290	2,532	2,532	2,532	2,017	2,017	1,997	1,201	1,201	952
Environmental Retrofit	0	204	0		53			101			6	
Economic Initiatives	0	1,198	0		549			39			217	
Mobility	943	6,919	0		3,060			2,238			529	
Statewide P3 Cost	710	710	710									
Not Programmed	8,180	301	0	5,637	301		1,587			211		
Subtotal After M,P,O,S	9,834	9,333	710	5,637	3,963	0	1,587	2,377	0	211	753	0
Total	18,718	18,380	9,000	8,169	6,496	2,532	3,604	4,394	1,997	1,412	1,954	952
Transfers In (Out)	338	0	0	-908	-2,581	-1,748	-400	390	0	-157	385	160
Revenue Returned	102%	100%	100%	90%	72%	59%	90%	110%	100%	90%	125%	120%

Table 4 *Continued*

	NC Region			SC Region			Eastern Region		
	Regional Equity Allocation New Revenue	**Highway System Plan New Revenue**	**Highway System Plan No New Revenue**	**Regional Equity Allocation New Revenue**	**Highway System Plan New Revenue**	**Highway System Plan No New Revenue**	**Regional Equity Allocation New Revenue**	**Highway System Plan New Revenue**	**Highway System Plan No New Revenue**
Revenues Generated									
New Revenue	286	286		695	695		818	818	
No New Revenue	346	346	346	782	782	782	803	803	803
Total	632	632	346	1,477	1,477	782	1,621	1,621	803
Highway Expenditures									
Maintenance	404	404	404	450	450	450	501	501	501
Preservation	280	280	280	559	559	559	401	401	401
Operations	18	18	18	17	17	17	40	40	40
Safety	241	241	53	192	192	43	194	194	43
Subtotal Basics (M,P,O,S)	943	943	755	1,218	1,218	1,069	1,136	1,136	985
Environmental Retrofit		17			14			13	
Economic Initiatives		52			186			156	
Mobility		205			415			472	
Statewide P3 Cost									
Not Programmed				111			323		
Subtotal After M,P,O,S		274	0	111	614	0	323	641	0
Total	943	1,217	755	1,329	1,832	1,069	1,459	1,777	985
Transfers In (Out)	311	585	409	-148	355	287	-162	156	182
Revenue Returned	149%	193%	218%	90%	124%	137%	90%	110%	123%

Source:

WSDOT State Highway System Plan, table titled Projected 20 Year System Plan.

All values are in millions of constant 1997$ for the period 1998-2017.

Notes:

"Regional Equity Allocation New Revenue" refers to the twenty year revenue projections in the WSDOT Highway System Plan based upon the historical trend forecast.

Expenditures are constrained to the statewide revenue total, taking into account the priority order of the maintenance, preservation, operations, and safety programs only.

Revenue transfers are estimated so that the region's program needs are satisfied, to the extent possible, for the maintenance, preservation, operations, and safety programs only before revenues are transferred to other regions for these programs. All remaining revenues generated within a region are allocated to that region to fulfill, to the extent possible, the regions remaining highway expenditure program needs.

"Highway System Plan New Revenue" refers to the twenty year revenue projections in the WSDOT Highway System Plan based upon the historical trend forecast.

Expenditures are constrained to the statewide revenue total, taking into account the priority order of the highway expenditure programs; which is the order the programs are listed.

Revenue transfers are estimated so that a region's needs in a particular program are satisfied, to the extent possible, before revenues are transferred to other regions for that program.

"Highway System Plan No New Revenue" refers to the twenty year revenue projections in the WSDOT Highway System Plan, should there be no new taxes for transportation or changes in tax rates, and excluding the estimated loss in motor vehicle excise tax revenues due to the passage of I-695.

Expenditures are constrained to the statewide revenue total, taking into account the priority order of the highway expenditure programs; which is the order the programs are listed.

Revenue transfers are estimated so that a region's needs in a particular program are satisfied, to the extent possible, before revenues are transferred to other regions for that program.

D R A F T

Evaluation Matrix for Revenue Options

May 5, 2000

Option	Description	Advantages	Disadvantages	Revenue Impact
Group A: Options for More Efficient Use of Current System				
A1	Develop new framework based on two categories: • Maintain current system • Improve system to meet growth, future needs	• Ensures funding to take care of what we have • Life-cycle approach will result in cost savings that can be reinvested elsewhere • All modes can compete for system improvement funds at the state and regional level	• Some reduced flexibility in fund allocation for local governments • Without additional funding, reduced ability of all levels of government to fund improvement projects	Savings from moving to life-cycle approach
A2	• Baseline allocation for state highway, ferry O&M, preservation and safety • Funds beyond baseline go to regions for all modes	• Provides funds for maintenance of the state system • Provides more funds for projects of regional importance for all modes	• There is no guaranteed funding for improvements to the state system	See A1
A3	Provide baseline gas tax funds for local roadway preservation, convert some grant programs into pass-through	• Provides additional funds for system maintenance • Local governments receive increased direct distribution funding	• Loss of existing grant programs will create gaps in needed programs • See A1	See A1
A4	Distribute new pass-through preservation funds for local governments based on mileage not population	• Fund distribution based on road miles, thus helping jurisdictions with larger roadway systems	• Some large cities will continue to have difficulties in procuring maintenance funds • See A1	Statewide neutral, redistribution at local level
A5	Put streets in cities <5,000 under county jurisdiction	• Efficiencies as small cities do not have to maintain / administer streets	• Small cities lose local decision authority	Savings due to economies of scale
A6	Base future gas tax allocations to cities on road miles and other utilization and demographic factors	• Improves equity among cities • Provides funds for the most heavily used facilities and acknowledges rapid growth	• Some cities will lose and some will gain funds	See A1

Option	Description	Advantages	Disadvantages	Revenue Impact
A7	Adjust future city/county gas tax allocations for basic functions to follow road miles after incorporation or annexation	• Provides new cities with transportation funds without taking away from existing cities • Allows small cities to make their own decisions about their streets	• Counties will lose funds as cities incorporate	Statewide neutral, redistribution at local level
A8	Provide baseline funding for basic operation and maintenance of public transit, passenger-only ferry, passenger and freight rail	• More stability in funding basic operations • Puts non-highway modes on more even terms with highways	• If funding shifts, may take funds away from other needed improvements	See A1
A9	Distribute all federal funds through regional prioritization programs and discontinue direct allocations	• Provides incentive and opportunity to fund large regional priority projects • Allows focus on major corridors	• May shift funding away from local projects	Statewide neutral, redistribution at local level
A9a	Include state funds in regional distribution processes	• Increases opportunities to fund corridors and priority projects at the regional level	• Shifts priority programming from statewide to regional emphasis	See A9
A9b	Add new local option regional funds to federal and/or state funds	• Increases flexibility at the regional level • Allows federal and/or state funds to be leveraged with local voter-approved sources		Low to medium
A10	Combine programming for state pass-through funds and competitive programs in a single entity	• City and county programs and technical assistance can be streamlined	• Technical assistance and project selection currently being done well in separate agencies	Cost savings at state and local levels
A11	Simplify most state grant funding programs: Eliminate leveraging requirements but create incentives for joint projects	• Saves staff time and funds now used to prepare, evaluate grant proposals • Encourages local agencies to propose good multi-jurisdictional, multi-modal projects	• If funds are considered "free" this may lead to a reduction in local funds for transportation • Small jurisdictions with small projects may find it difficult to compete	Small to medium cost savings at all levels
A12	Adopt a new regional equity approach to distributing taxes: After basic O&M, preservation to all roads, distribute all other funds so that they *primarily* benefit the region in which generated	• Leaves more funds for improvements in the most densely populated urban areas • Helps address problems in urban areas that affect the entire state • Enables regional agencies to support large regional projects	• Reduces "donations" to more rural and poorer areas • May not leave enough funds for improvements in poorer regions that do benefit the entire state	Savings from moving to life-cycle approach; redistribution to urban regions

Option	Description	Advantages	Disadvantages	Revenue Impact
Group B: Options to Generate Revenue				
General Taxes—Proposed to be used either statewide or by new regional transportation authorities				
B1	Increase state sales tax exclusively for transportation improvements for all modes: • State, regional, and local levels (25% each) • 25% to very large projects statewide	• Dedicated revenue source for large improvement projects of statewide importance • Keeps pace with economy and generates more during times of growth • No limits on use	• Tax increase • No direct connection between source and use for transportation infrastructure • Sales tax may be reaching levels public cannot support	High
B2	Authorize a sales tax on gas (based exclusively on the underlying commodity price) dedicated to transportation	• Addresses the limitations of the gas tax, i.e., failure to keep pace with economy and limitation on use • See B1	• May be complicated to calculate and administer	High
General Taxes/User Fees—Proposed to be used statewide				
B3	Shift sales tax revenues from transportation purposes from the General Fund to transportation purposes	• In good economic times this may be a very good revenue generator • Gives transportation infrastructure the same tax break that sports stadiums have	• Reduces funding for other essential services • Undercuts traditional limitation on separate general and transportation funds	High
B4	Increase the gas tax periodically to meet the basic maintenance, preservation, and safety needs of highway, bridge, and auto ferry systems	• Easy to understand linkage with transportation purposes • Collection system already in place, no additional costs	• Requires periodic adjustments by the Legislature	High
B5	Index the gas tax to inflation with a cap on increases based on the CPI	• No need to go back to Legislature periodically • See B4	• Creates auto-pilot tax increases without policy review and debate	High
User Fees—Proposed to be used by new regional transportation authorities, cities, counties, and transit districts				
B6	Create an optional regional vehicle-miles-traveled (VMT) charge	• Easy to understand linkage with transportation purposes • Those who use transportation facilities pay • Creates incentive to reduce travel	• Requires development of a new tax collection mechanism • Potential for tax avoidance	Low in rural areas, high in urban areas

Option	Description	Advantages	Disadvantages	Revenue Impact
B6a	Allow a certain number of "free" miles for low-income residents or those who live a certain distance from work	• Would reduce impacts on low income residents	• Reduces costs of long commute trips, thus encourages sprawl • See B6	NA
B7	Create an optional regional Vehicle License Fee of up to $100 per vehicle	• Easy to understand linkage with transportation purposes • Fee collection mechanism already exists	• Flat fee affects low-income users disproportionately	Low in rural areas, high in urban areas
B7a	Instead of new regional fee, increase the existing county license fee from $15 to up to $45 per vehicle	• See B7	• See B7	Medium
B8	Create two-tiered user charge consisting of both: • A flat fee per vehicle • A vehicle-miles-traveled charge as under B6	• Combines true user fee with ownership fee • Tax collection mechanisms for license fee already exist	• Requires development of a new tax collection mechanism for VMT charges • Potential for tax avoidance	Low in rural areas, high in urban areas
B9	Authorize tolls for the use of congested facilities	• Charges for actual usage of transportation facilities • Reduces incentive to travel	• Implementation costs high • Difficult to create support for tolls on existing facilities	High
B10	Authorize tolls to pay for new facilities	• May reduce congestion on existing facilities • Allows bond financing and facilitates equity as users pay over the life time of the facility	• Equity issues with which new facilities are tolled and which are free to users	High
B11	Create a weight-based fee for heavy vehicle within a region	• Charges heavy vehicles for the wear and tear they cause on roads • Levels the playing field between passenger cars, light trucks and other heavier vehicles	• New tax collection mechanism needed for some classes of vehicles	Medium to high
B12	Develop a public/private initiative to explore the feasibility of HOT lanes on I-405 and SR-167 in King County	• Charges for new capacity and special services provided • Allows efficient use of unused capacity and generates revenue at the same time	• Will require substantial implementation and enforcement efforts • Works best on barrier-separated facilities	Medium to high

Option	Description	Advantages	Disadvantages	Revenue Impact
Local Option Taxes—Proposed to be used by cities, counties, and transit districts				
B13	Authorize an optional increase in local sales taxes dedicated to transportation	• Keeps pace with economy and generates more during times of growth • Can be used for all modes	• May lead some jurisdictions to reduce level of transportation funding from the general fund • No direct connection to use of transportation infrastructure	Low in rural areas, medium to high in urban areas
B14	Increase the existing local option gas tax from a percent to a flat rate of up to 5 cents/gallon	• Easy to understand linkage with transportation purposes • Provides local governments with the ability generate additional revenue for roads	• Does not keep pace with growing inflation or transportation needs • Can only be used for streets and roads	Low in rural areas, medium to high in urban areas
B14a	Authorize an additional local option gas tax of up to 2 cents/gallon for cities over 100,000	• Provides additional funds for cities which lag behind counties in dedicated revenue for transportation	• See B14a	Medium
B15	Authorize cities and counties to impose a new commuter parking tax on employers	• Reduces incentive to travel and encourages trip reduction programs at employment sites • Indirectly charges users for the use of roads	• Requires new tax collection mechanism	Medium
B15a	Authorize a local option ride-share credit as an incentive for employers to implement trip reduction programs and off-set new parking taxes	• Further encourages the implementation of trip reduction programs	• Makes tax collection more complex • Favors employers in more densely developed areas where alternatives to the car exist	NA
B16	Authorize cities and counties to use tax-increment financing based on sales tax revenues	• Allows bond financing and facilitates equity as users pay over the life time of the facilities • Can be coordinated with economic development efforts	• Questions regarding constitutionality of tax increment funding • Funds lost for other essential services within area and elsewhere	Medium